with FII investment limited to 23% and FDI limited to 26% in the commodity exchanges. FDI will be allowed with prior approval of FIPB. FII purchases shall be restricted to secondary market only. No single entity will hold more than 5% of the equity in these companies.

(c) The policy on FDI is reviewed on a continuing basis through an inter-ministerial consultation process with a view to retionalization/liberalization of the policy and taking into account stakeholders concerns.

Scrapping of import duty on items from neighbouring countries

1260. SHRI D. RAJA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that Government had scrapped import duty on more than 4800 items from four neighbouring countries and reduced customs tariff on these products from *Pakistan and Sri Lanka as part of the efforts to boost trade in South Asia*;

(b) if so, the details thereof;

(c) whether Government are aware that this step will affect the indigenous producers of these commodities adversely, particularly cash crop producers in Kerala; and

(d) if so, Government's reaction thereto?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) and (b) India is one of the signatories to the Agreement on South Asian Free Trade Area (SAFTA) which came into force from 1st January, 2006 and became operational from 1st July, 2006. As per the Article 7 of the Agreement scheduled for Phased Trade Liberalization Programme (TLP) has been stipulated according to which:

(i) India, as non-member of SAFTA would reduce tariff for other non-LDCs members, namely; Pakistan and Sri Lanka to 20% by 31.1.2007 and thereafter to 0—5% in the next five years i.e. by 31.12.2012.

(ii) Non-LDC members would reduce tariff to 0—5% for LDC members within 3 years of coming into force of SAFTA Agreement *i.e.* by 31.12.2008.

(iii) The Article also stipulates that the schedules of tariff reductions would not prevent any contracting State from immediately reducing from tariff to 0—5% or from following an accelerated schedule to tariff reduction.

During the 14th SAARC Summit held in New Delhi, India had announced unilateral acceleration of tariff reduction in order to provide greater market access to the least developing country Members of SAARC. In pursuance of this announcement India has unilaterally notified reduction to tariff to zero for LDC members of SAFTA w.e.f. 1.1.2008 thereby advancing the stipulated period by one year. The beneficiaries of these unilateral reductions are LDC- Members namely; Bangladesh, Bhutan, Maldives and Nepal. The accelerated tariff reductions, therefore, are not available to exports coming from Pakistan and Sri Lanka.

(c) and (d) In order to protect the interest of the domestic producers, each Member State of SAFTA has kept Sensitive List (s) and the items in the Sensitive Lists are excluded from SAFTA tariff concessions. India has kept two Sensitive Lists, one with 865 items for Non-LDC members and another with 744 items for LDC members, and most of the cash crops products are included in the Sensitive Lists of India.